



LG ENERGY SOLUTION 2024 GREEN BOND REPORTING PERIODIC REVIEW



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Prepared by: DNV Business Assurance Korea Ltd.

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This statement is valid until the Report provided on September 2024 remains unchanged.

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Disclaimer

Our assessment relies on the premise that the data and information provided by the client to us as part of our review procedures have been provided in good faith. Because of the selected nature (sampling) and other inherent limitation of both procedures and systems of internal control, there remains the unavoidable risk that errors or irregularities, possibly significant, may not have been detected. Limited depth of evidence gathering including inquiry and analytical procedures and limited sampling at lower levels in the organization were applied as per scope of work. DNV expressly disclaims any liability or co-responsibility for any decision a person or an entity may make based on this Statement.

Statement of Competence and Independence

DNV applies its own management standards and compliance policies for quality control, which are based on the principles enclosed within ISO/IEC 17029:2019 - Conformity Assessment – General principles and requirements for validation and verification bodies, and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirement, professional standards, and applicable legal and regulatory requirement. This engagement work was carried out by an independent team of sustainability assurance professionals. DNV was not involved in the preparation of statements or data included in the Framework except for this Statement. DNV maintains complete impartiality toward stakeholders interviewed during the assessment process.

DNV PERIODIC REVIEW OPINION

Scope and Objectives

LG Energy Solution (hereinafter as “LGES” or the “Company”) issued Green Bond (hereinafter “BOND”) with the total amount of USD 1,000 million in September 2023 under the 2023 LGES Green Financing Framework 2023.

Issue Date	Type	Currency	Amount	Tenor	ISIN	Framework
18 September, 2023	Senior Unsecured	USD	400 million	3Y	US50205MAA71 / USY5S5CGAA01	2023 LGES Green Financing Framework
			600 million	5Y	US50205MAB54 / USY5S5CGAB83	

DNV Business Assurance Korea Ltd (henceforth referred to as “DNV”) has been commissioned by LGES to provide the review of LGES’ 2024 Green Bond Reporting (henceforth referred to as “Report”). Our criteria and information covered to serve the purpose are described under ‘Work Undertaken’ shown below. The periodic review was made based on the information and documents provided by LGES as well as the interview conducted with responsible people. We do not provide any independent assurance or other type of audit activities.

In this report, no assurance is provided regarding the financial performance of the Issuer, the value of any investments in the BOND or the long-term green benefits arising from the nominated projects. Our main objective of these reviews has been to provide an assessment that the BOND has met the criteria established on the basis set out below.

Responsibilities of the Management of LGES and DNV

The management of LGES has provided the information and data used by DNV during the delivery of this review. Our statement represents an independent opinion and is intended to inform LGES management and other interested stakeholders in the BOND as to whether the established criteria have been met, based on the information provided to us. In our work we have relied on the information and the facts presented to us by LGES. DNV is not responsible for any aspect of the nominated assets referred to in this opinion and cannot be held liable if estimates, findings, opinions, or conclusions are incorrect. Thus, DNV shall not be held liable if any of the information or data provided by LGES used as a basis for this assessment were not correct or complete.

Basis of DNV’s Opinion

DNV adapted our Sustainability Bond Principles methodology, which incorporates the requirements of the Green Bond Principles (“GBP”), to create an LGES-specific Eligibility Assessment Protocol (henceforth referred to as “Protocol”). Our Protocol includes a set of suitable criteria that can be used to underpin DNV’s opinion.

As per our Protocol, the criteria against which the BOND has been reviewed are grouped under the four Principles:

- **Principle One: Use of Proceeds.** The Use of Proceeds criteria are guided by the requirement that an issuer of a green bond must use the funds raised to finance eligible activities. The eligible activities should produce clear green benefits.
- **Principle Two: Process for Project Evaluation and Selection.** The Project Evaluation and Selection criteria are guided by the requirements that an issuer of a green bond should outline the process it follows when determining eligibility of an investment using a green bond proceeds, and outline any impact objectives it will consider.
- **Principle Three: Management of Proceeds.** The Management of Proceeds criteria are guided by the requirements that a green bond should be tracked within the issuing organization, that separate portfolios

should be created when necessary and that a declaration of how unallocated funds will be managed should be made.

- **Principle Four: Reporting.** The Reporting criteria are guided by the recommendation that at least Sustainability Reporting to the bond investors should be made of the use of bond proceeds and that quantitative and/or qualitative performance indicators should be used, where feasible.

Work Undertaken

Our work constituted a high-level review of the available information, based on the understanding that this information was provided to us by LGES in good faith. We have not performed an audit or other tests to check the veracity of the information provided to us. The work undertaken to form our opinion included:

- Creation of a Protocol, adapted to the purpose of the annual and impact report, as described above and in Schedule 3 to this Assessment;
- Assessment of documentary evidence provided by LGES on the report and supplemented by a high-level desktop research. These checks refer to current assessment best practices and standards methodology;
- Review of published materials by LGES and LGES' website;
- Discussions with LGES management, and review of relevant documentation and evidence related to the criteria of the Protocol;
- Documentation of findings against each element of the criteria. Our opinion as detailed below is a summary of these findings.

Findings and DNV's Opinion

DNV's findings are listed below:

1. **Principle One: Use of Proceeds.** LGES has reported use of the proceeds of the BOND to finance projects and assets including:

Green Project Categories

- Renewable Energy
 - Construction of EV manufacturing facilities
 - R&D for EV batteries

DNV reviewed the criteria for the project categories above and determined the nominated projects and assets are eligible in accordance with 2023 LGES Green Financing Framework (henceforth referred to as "Framework") and GBP 2023.

2. **Principle Two: Process for Project Evaluation and Selection.** The BOND proceeds have been allocated to finance the assets as defined in Schedule 1. DNV has reviewed evidence that demonstrates that LGES' Green Finance Working Group (GFWG) oversees the selection of eligible projects and their compliance with the eligibility criteria described in the Framework.
3. **Principle Three: Management of Proceeds.** DNV has reviewed evidence showing how LGES traced the proceeds from the BOND, from the time of issuance to the time of disbursement. Through its ERP system, the proceeds were monitored and checked regularly. LGES also confirmed to DNV that any proceeds temporarily unallocated were placed in short-term liquid money instruments such as cash and market securities according to the exclusionary criteria and the LGES' investment guidelines until allocation to eligible green projects in


accordance with the Framework. DNV provides no assurance regarding the financial performance of the BOND, the value of any investments in the BOND, or the effects of the transaction.

4. **Principle Four: Reporting.** LGES has confirmed that the Reporting will be uploaded in its website with this DNV's assurance report. The Reporting includes a description of the project and value of the proceeds invested, as well as the associated qualitative environmental impacts.

On the basis of the information provided by LGES and the work undertaken, it is DNV's opinion that the BOND meets the criteria established in the Protocol and that the projects are aligned with the stated definition of GBP 2023, which is to "enable capital-raising and investment for new and existing projects with green benefits".


for DNV Business Assurance Korea Ltd.

Seoul, Republic of Korea / 13 September 2024



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About DNV

Driven by our purpose of safeguarding life, property and the environment, DNV enables organisations to advance the safety and sustainability of their business. Combining leading technical and operational expertise, risk methodology and in-depth industry knowledge, we empower our customers' decisions and actions with trust and confidence. We continuously invest in research and collaborative innovation to provide customers and society with operational and technological foresight. With our origins stretching back to 1864, our reach today is global. Operating in more than 100 countries, our 16,000 professionals are dedicated to helping customers make the world safer, smarter and greener.

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Schedule 1. Nominated Assets & the Proceeds Allocation

- **Total Allocation: USD 1,000 million (100% of the proceeds was allocated)**
- **Refinancing Ratio: 23.9%**

Project Description	Amount Allocated (USD mn)
Construction of EV Manufacturing Facilities	498
R&D for EV Batteries	502
Total Allocation	1,000

Schedule 2. Impact Reporting

- Green Bond Impact Summary

EV Battery Manufacturing Site (State)	Total Project		LGES Green Bond Share	
	Exp. # of EVs Produced	Exp. CO ₂ Reduced *	Exp. # of EVs Produced	Exp. CO ₂ Reduced *
	<i>per year</i>	<i>tCO₂/year</i>	<i>per year</i>	<i>tCO₂/year</i>
GM JV2 (Tennessee)	600,000	2,760,000	29,658	136,426
GM JV3 (Michigan)	700,000	3,220,000	86,423	397,546
AZ (Arizona)	350,000	1,610,000	6,418	29,523
Total	1,650,000	7,590,000	122,499	563,495

* Tailpipe CO₂ emissions reduced

Schedule 3. LGES-specific Eligibility Assessment Protocol

1. Use of Proceeds

Ref.	Criteria	Requirements	Works Undertaken	DNV Findings
1a	Type of bond / loan	<p>The Bond and Loan must fall in one of the following categories, as defined by the Green Bond Principles:</p> <ul style="list-style-type: none"> Green Use of Proceeds Bond Green Use of Proceeds Revenue Bond Green Project Bond Green Securitized Bond Loan instrument made available for Green project (Green use of loan proceeds) 	<p>Review of:</p> <ul style="list-style-type: none"> LGES Green Financing Framework (2023) LGES Green Bond Annual Report (2024) <p>Discussion with LGES management (or a delegated entity)</p>	<p>The reviewed evidence confirms that the BOND falls in the category of the Green Use of Proceeds.</p> <ul style="list-style-type: none"> On 18 September, 2023, LG Energy Solution (LGES) issued its inaugural Green Bond under the Green Financing Framework 2023 (hereafter the "Framework") . The bond generated total proceeds of US\$1bn, which have been fully allocated to projects that support global climate change initiatives in accordance with the Framework.
1b	Sustainable Project Categories	<p>The cornerstones of Green Bond and Loan are the utilization of the proceeds of the bond and the loan which should be appropriately described in the legal documentation for the security.</p>	<p>Review of:</p> <ul style="list-style-type: none"> LGES Green Financing Framework (2023) LGES Green Bond Annual Report (2024) Internal document of proceeds allocation by project type <p>Discussion with LGES management (or a delegated entity)</p>	<p>According to the Framework, LGES aims to use the proceeds for expenditures for, and refinancing of, the Company's renewable/clean business.</p> <p>The reviewed evidence shows that the proceeds were used for the following eligible projects in relation to renewable energy:</p> <ul style="list-style-type: none"> Construction of solar power components manufacturing plant Equipment for producing solar power components <p>Overall, DNV's assessment concludes that the projects contribute to achieving low-carbon economy and are in alignment with the Framework and GBP 2023.</p>
1c	Environmental benefits	<p>All designated Green Project categories should provide clear environmentally sustainable benefits, which, where feasible, will be quantified or assessed by the Issuer.</p>	<p>Review of:</p> <ul style="list-style-type: none"> LGES Green Financing Framework (2023) LGES Green Bond Annual Report (2024) Internal document of project details with environmental 	<p>DNV reviewed the data provided by LGES to verify the environmental impacts. LGES calculated the impact of construction of EV manufacturing facilities considering the below:</p> <ul style="list-style-type: none"> Each facility's maximum manufacturing capacity of batteries was identified Emission factor for passenger vehicles from Environmental Protection Agency (EPA), USA, was used: 4.6tCO₂/year

Ref.	Criteria	Requirements	Works Undertaken	DNV Findings
			impacts. Discussion with LGES management (or a delegated entity)	<ul style="list-style-type: none"> LGES' green bond share (%) against total project size was calculated Impact: Making use of the above share (%), the annual number of batteries to be manufactured by investment of LGES' green bond was drawn up and this was multiplied by the above emission factor for calculating expected amount of reduced GHG. <p>DNV concludes that nothing comes to our attention that the impact calculation by LGES is made inappropriately. The calculation was verified by the DNV Business Assurance Korea's GHG verification team.</p>
1d	Refinancing Share	In the event that a proportion of the proceeds may be used for refinancing, it is recommended that issuers provide an estimate of the share of financing vs. re-financing, and where appropriate, also clarify which investments or project portfolios may be refinanced.	Review of: <ul style="list-style-type: none"> LGES Green Financing Framework (2023) LGES Green Bond Annual Report (2024) Discussion with LGES management (or a delegated entity)	New Financing: US\$761mn (76.1%) Refinancing: US\$239mn (23.9%)

2. Process for Project Selection and Evaluation

Ref.	Criteria	Requirements	Works Undertaken	DNV Findings
2a	Investment-decision process	The Issuer of a Green Bond and Loan should outline the decision-making process it follows to determine the eligibility of projects using Green Bond and Loan proceeds. This includes, without limitation: <ul style="list-style-type: none"> A process to determine how the projects fit within the eligible Green Projects categories identified in the Green Bond Principles and Green Loan 	Review of: <ul style="list-style-type: none"> LGES Green Financing Framework (2023) LGES Green Bond Annual Report (2024) LGES Sustainability Report (2023) Discussion with LGES management (or a delegated entity)	<p>In the course of the entire process of green bond issuance including asset allocation and project selection, close cooperation with GFWG is made, which is composed of Business Strategy team, Planning & Coordination team, Safety & Environment team, ESG Strategy team, and Finance Department. With the GFWG, from the pre-issuance stage, LGES established mid- to long-term financing plans for each project, determined the size of the green bond issuance, and evaluated the eligibility of assets to allocate the financing amount.</p> <p>In terms of ensuring social and environmental standards for supply chain, LGES has adopted Responsible Sourcing Policy and monitors</p>

Ref.	Criteria	Requirements	Works Undertaken	DNV Findings
		Principles; <ul style="list-style-type: none"> The criteria making the projects eligible for using the Green Bond and Loan proceeds; The environmental sustainability objectives, and Complementary information on process by which the issuer identifies and manages perceived environmental and social risks associated with the relevant project 		suppliers through 1. new supplier evaluation and 2. regular evaluation. The new supplier evaluation is a diagnostic evaluation consisting of 10 ESG risk indicators for new supplier candidates. For the suppliers that are already in the Company's supply chain, supplier ESG evaluation proceeds in conjunction with regular evaluation, where over 60 ESG risk indicators are incorporated.
2b	Issuer/borrower's environmental and social and governance framework	In addition to information disclosed by an issuer on its Green Bond process, criteria and assurances, Green Bond and Loan investors may also take into consideration the quality of the issuer's overall framework and performance regarding environmental and social sustainability.	Review of: <ul style="list-style-type: none"> LGES Green Financing Framework (2023) LGES Green Bond Annual Report (2024) LGES Sustainability Report (2023) Discussion with LGES management (or a delegated entity)	<p>LGES' Environmental and Social policy</p> <p>1. Climate Action: Achieving Carbon Neutrality by 2050 LG Energy Solution is a leading company that plays a pivotal role in transition into a carbon-neutral society. LGES seeks to take initiative in addressing global climate change by reinforcing its cooperation with partners to decrease energy use and greenhouse gas emissions at business sites, as well as to reduce carbon emissions in the battery industry in general. As part of its initiative to achieve carbon neutrality by 2050, LGES plans to convert 100% of electric power used at every domestic and overseas business site to renewable energy by 2030.</p> <p>2. Circular Economy: Establishing a Closed Loop by 2025 With the rapid growth in the electric vehicle battery market, millions of tons of batteries are used every year, resulting in a steady increase in the number of used batteries. LGES is developing ways to reuse these batteries for ESS. To minimize environmental contamination and create a closed loop of resources, LGES is conducting various research projects to recycle waste batteries generated from manufacturing of batteries.</p> <p>3. Human Rights Management: Creating Risk-free Business Sites for Human Rights LGES recognizes that respect for human rights is the most critical</p>

Ref.	Criteria	Requirements	Works Undertaken	DNV Findings
				<p>element of business. Based on its management philosophies "People-oriented Management", LGES established and declared "Global Human Rights and Labor Policy" founded on guaranteeing and respecting human dignity and rights to freedom and happiness.</p> <p>4. Advanced Environmental Health and Safety: Zero Environmental Safety Accidents</p> <p>LGES is building and operating a comprehensive environmental safety and health management system based on ISO14001 and ISO45001 standards. Fully understanding the significance of these elements, LGES is taking robust initiatives to prevent accidents.</p> <p>5. Responsible Supply Chain Management: Advancing Due Diligence on Critical Raw Materials</p> <p>LGES has established a code of conduct that suppliers must follow since 2016. It stipulates regulations on human rights, labor rights, ethics, environmental sustainability, and responsible mineral procurement that suppliers must comply with to operate sustainable supply chains. LGES implements the code from selection stage for new suppliers to verify adequacy of their respective supply chain management system and effectively supervise supply chain risks.</p>

3. Management of Proceeds

Ref.	Criteria	Requirements	Works Undertaken	DNV Findings
3a	Tracking procedure	The net proceeds of Green Bonds should be credited to a sub-account, moved to a sub- portfolio or otherwise tracked by the Issuer in an appropriate manner and attested to by a formal internal process that will be linked to the Issuer's lending and investment operations for Green Projects.	Review of: <ul style="list-style-type: none"> LGES Green Financing Framework (2023) LGES Green Bond Annual Report (2024) Documentation of project details including location, size, allocated amount and environmental impacts 	<p>LGES has confirmed with DNV that internal ERP system (a dedicated register) was used to track the Green Bond Proceeds.</p> <p>An amount equal to the net proceeds of Green Bond was earmarked for allocation within LGES' general account. LGES' treasury team tracks the net proceeds through a separate Green Bond register that includes details on issuing terms of Green Bond/Loan and amount allocated to Eligible Projects.</p>

			<ul style="list-style-type: none"> ERP Snapshot <p>Discussion with LGES management or delegated entity</p>	
3b	Tracking procedure	So long as the Green Bonds and Loans are outstanding, the balance of the tracked proceeds should be periodically reduced by amounts matching eligible green investments or loan disbursements made during that period.	<p>Review of:</p> <ul style="list-style-type: none"> LGES Green Financing Framework (2023) LGES Green Bond Annual Report (2024) Documentation of project details including location, size, allocated amount and environmental impacts ERP Snapshot <p>Discussion with LGES management or delegated entity</p>	LGES has confirmed with DNV that the proceeds of the BOND have been traced, from the time of issuance to the time of disbursement, and the net balance has been reduced in line with its financing schedule. At the end of each financial year, the outstanding balance of the BOND was reviewed.
3c	Temporary holdings	Pending such investments or disbursements to eligible Green and Social Projects, the Issuer should make known to investors the intended types of temporary investment instruments for the balance of unallocated proceeds.	<p>Review of:</p> <ul style="list-style-type: none"> LGES Green Financing Framework (2023) LGES Green Bond Annual Report (2024) <p>Discussion with LGES management or delegated entity</p>	LGES has confirmed with DNV that all or a portion of the net proceeds pending allocation was held in accordance with LGES' general liquidity management policy and exclusionary policy set out in the Framework.

4. Reporting

Ref.	Criteria	Requirements	Works Undertaken	DNV Findings
4a	Periodical reporting	<p>In addition to reporting on the use of proceeds and the temporary investment of unallocated proceeds, Issuers should provide at least annually a list of projects to which Sustainability Bond proceeds have been allocated including</p> <ul style="list-style-type: none"> when possible with regards to confidentiality and/or 	<p>Review of:</p> <ul style="list-style-type: none"> LGES Green Bond Annual Report (2024) LGES Website <p>Discussion with LGES management or delegated entity</p>	<p>LGES has prepared the Green Bond Annual Report 2024, which will be uploaded on its website. DNV has reviewed the Report and confirms that it includes the project types, amount of proceeds allocated, as well as the associated quantitative environmental impacts, which have been summarized in Schedule 1 and 2 above.</p> <p>The related information will be uploaded in the following website:</p>

Ref.	Criteria	Requirements	Works Undertaken	DNV Findings
		<ul style="list-style-type: none"> competitive considerations a brief description of the projects and the amounts disbursed, as well as the expected environmentally sustainable impact. 		https://www.lgensol.com/en/esg-bond